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United Nations Industrial Development Organization ORIGINAL: ENGLISH

Industrial Development Board

Eighteenth session
Vienna, Vienna, 12 September 1997
Item 2 of the provisional agenda

PROVISIONAL AGENDA

1. Opening of the session.
2. Adoption of the agenda.
3. Recommendation of a candidate for the post of Director-General.
*4. Report of the Programme and Budget Committee:
   (a) Scale of assessments;
   (b) Interim financial performance report and programme performance report for the biennium 1996-1997;
   (c) Programme and budgets, 1998-1999;
   (d) Financial regulations and financial rules;
   (e) Working Capital Fund;
   (f) Appointment of an External Auditor;
   (g) Financial situation of UNIDO;
   (h) Industrial Development Fund and other voluntary contributions;
   (i) Withdrawal of the United States of America.
*5. Future role and functions of UNIDO.
*6. Preparations for the seventh session of the General Conference.
*7. Provisional agenda and date of the nineteenth session.
*8. Adoption of the report.
*9. Closure of the session.

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* Items to be considered during resumed eighteenth session, to be held during the week of 17 to 21 November 1997 (IDB.17/Dec.10)

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Industrial Development Board

Eighteenth session
Vienna, 12 September 1997
Item 2 of the provisional agenda

ANNOTATED PROVISIONAL AGENDA

Item 1. Opening of the session

The eighteenth session of the Board will be opened by the President.

Item 2. Adoption of the agenda

A provisional agenda for the eighteenth session was adopted by the Board at its seventeenth session (IDB.17/Dec.10). The provisional agenda is submitted to the Board for adoption in document IDB.18/1.

Item 3. Recommendation of a candidate for the post of Director-General

Pursuant to Article 11.2 of the Constitution and rule 61 of the rules of procedure, the Board will decide upon the recommendation to the General Conference of a candidate for the post of Director-General.

The Board will have before it:

- Recommendation of a candidate for the post of Director-General. Note by the Secretariat (IDB.18/6)

- Draft contract for appointment of the Director-General. Note by the Secretariat (IDB.18/7)

***Item 4. Report of the Programme and Budget Committee**

Article 10.4 (d) of the Constitution requires that the Programme and Budget Committee "report to the Board at each regular session on all activities of the Committee and submit advice or proposals on financial matters to the Board on its own initiative."

The report of the Committee on the work of its thirteenth session will be reflected in document IDB.18/2. The following subjects, to be dealt with by the Committee at that session (listed from (a) to (i) below), are of relevance to the work of the Board at its current session. In accordance with decision IDB.17/Dec.10, these sub-items will be considered during the eighteenth session, to be held during the week of 17 to 21 November 1997. Annotations on the sub-items indicating recommendations of the Committee will be included in an addendum to the present document to be issued following the thirteenth session of the Committee.

(a) Scale of assessments

(b) Interim financial performance report and programme performance report for the biennium 1996-1997

(c) Programme and budgets, 1998-1999

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(d) Financial regulations and financial rules

(e) Working Capital Fund

(f) Appointment of an External Auditor

(g) Financial situation of UNIDO

(h) Industrial Development Fund and other voluntary contributions

(i) Withdrawal of the United States of America

***Item 5. Future role and functions of UNIDO**

In decision IDB.17/Dec.2, the Board requested the intersessional working group on the future role and functions of UNIDO to further develop, in consultation with the Secretariat, a set of criteria and indicators that would allow the future assessment of the implications and monitoring of the implementation of the UNIDO reform process, including the performance of the Organization, in particular through the programme and budget. The Board further requested the chairman of the intersessional working group to report to the Board before the seventh session of the General Conference. Thus, the Board will have before it the report of the working group.

***Item 6. Preparations for the seventh session of the General Conference**

The Board at its seventeenth session adopted the provisional agenda for the seventh session of the General Conference (IDB.17/Dec.9).

As indicated in document IDB.17/15, paragraph 15, the work of the previous sessions of the Conference was greatly facilitated by the setting up, under the guidance of the Bureau of the Board, of an informal contact group for the preparation of the Conference. Such an informal contact group, composed of representative of permanent missions to UNIDO in Vienna, met during several months before the holding of each session of the Conference and prepared a report with recommendations covering most of the items on the agenda as well as organizational matters.

***Item 7. Provisional agenda and date of the nineteenth session**

In accordance with rule 10.2 of the rules of procedure, the Director-General shall submit to the Board at each regular session the provisional agenda for the following regular session. However, in accordance with the recommendations adopted by the Board at its fifth session for the conduct of business and rationalization of proceedings, the provisional agendas for the regular sessions should be drawn up in biennial groups by a special brief session of the Board following the General Conference (IDB.5/Dec.46, annex, paras. 2 and 4).

Concerning the date of the nineteenth session, the attention of the Board is drawn to the following tentative reservations made for the policy-making organs of UNIDO for 1998:

11-15 May	Industrial Development Board, nineteenth session
31 August-4 September or 7-11 September	Programme and Budget Committee, fourteenth session
16-20 November	Industrial Development Board, twentieth session

***Item 8. Adoption of the report**

The report of the session will be issued in two parts: the first covering items 1-3 and 8, and an addendum covering the resumed session. Hence, while included in the items to be considered during the resumed session, this item will also be taken up on 12 September 1997 for the purpose of adopting the report covering part one.

***Item 9. Closure of the session**

* Items to be considered during the resumed eighteenth session, to be held during the week of 17 to 21 November 1997 (IDB.17/Dec.10). Interim developments on these items will be covered in the addendum to the present document referred to under item 4.

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United Nations Industrial Development Organization

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Industrial Development Board

Eighteenth session
Vienna, 12 September 1997
Item 2 of the provisional agenda

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PROVISIONAL AGENDA

1. Opening of the session.
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3. Recommendation of a candidate for the post of Director-General.
*4. Report of the Programme and Budget Committee.
   (a) Scale of assessments;
   (b) Interim financial performance report and programme performance report for the biennium 1996-1997;
   (c) Programme and budgets, 1998-1999;
   (d) Financial regulations and financial rules;
   (e) Working Capital Fund;
   (f) Appointment of an External Auditor;
   (g) Financial situation of UNIDO;
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*5. Future role and functions of UNIDO.
*6. Preparations for the seventh session of the General Conference.
*7. International Centre for Science and High Technology.**
*8. Provisional agenda and date of the nineteenth session.
*9. Adoption of the report.
*10. Closure of the session.

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* Items to be considered during resumed eighteenth session, to be held during the week of 17 to 21 November 1997 (IDB.17/Dec.10).

** Supplementary item proposed by one Member State in accordance with rule 12 of the rules of procedure of the Board. For the supporting statement, see document IDB.18/16.

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Industrial Development Board

Resumed eighteenth session
Vienna, November 1997
Agenda item 2

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ANNOTATED AGENDA

The annotated provisional agenda covering part one of the eighteenth session, convened on 12 September 1997, was issued under the symbol IDB.18/1/Add.1. The present annotations provide an update of that document, taking into account mandates of the thirteenth session of the Programme and Budget Committee and part one of the eighteenth session of the Board. The present document should be considered in conjunction with the reports of both sessions (IDB.18/2 and GC.7/6) and with the summary records of the Board (IDB.18/SR.1-2).

Item 2. Adoption of the agenda

The agenda for the eighteenth session of the Board contained in document IDB.18/1/Rev.1 was adopted at part one of its eighteenth session (IDB.18/SR.1, paras. 4-6).

Item 3. Recommendation of a candidate for the post of Director-General

Item 3 will be considered by the resumed eighteenth session for the purpose of recommending to the General Conference a draft contract for the appointment of the Director-General (GC.7/6, para. 16; IDB.18/SR.2, paras. 3-6).

The Board will have before it:

- Draft contract for appointment of the Director-General. Note by the Secretariat (IDB.18/7)

Item 4. Report of the Programme and Budget Committee

(a) Scale of assessments

The General Conference, at its seventh session, will have to establish a scale of assessments for the years 1998 and 1999. In accordance with Article 10.4 (b) of the Constitution, the Committee shall prepare the draft scale of assessments for regular budget expenditures, for submission to the Board. Article 15.2 of the Constitution stipulates that the scale of assessments shall be based to the extent possible on the scale most recently employed by the United Nations and that no Member shall be assessed more than 25 per cent of the regular budget of the Organization.

In decision IDB.15/Dec.5, the Board requested the Director-General to monitor closely developments in the United Nations dealing with the scale of assessments, and also requested the Director-General to update the back-

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ground information on the ceiling of assessments (IDB.15/2) with respect to new developments in the United Nations. Documentation on this subject will be provided as appropriate to reflect developments occurring prior to the session.

The Board will have before it:

- Scale of assessments for the fiscal period 1998-1999. Note by the Secretariat (IDB.18/13-PBC.13/12)

- PBC conclusion 97/5 on the scale of assessments for the apportionment of the regular budget expenses (IDB.18/2, para. 16)

(b) Interim financial performance report and programme performance report for the biennium 1996-1997

Financial regulation 10.6 stipulates that, at the beginning of the second calendar year of each fiscal period, the Director-General shall submit to the Programme and Budget Committee an interim financial report on significant financial developments that have affected the Organization during the first calendar year of the fiscal period concerned.

Furthermore, the Committee in its conclusion 1987/19 requested the Director-General to submit each year to the Board, through the Committee, a clear and detailed financial performance report itemizing the utilization of financial resources, as well as a programme performance report describing the level of programme implementation. Subsequently, upon recommendation of the Committee and the Board, the General Conference, in its resolution GC.4/Res.2, requested the Director-General to incorporate fully in the annual reports the programme performance report for the relevant period. Thus, the Annual Report of UNIDO 1996 provides in its addendums the programme performance report for 1996. This information is supplemented by the financial statements, which continue to be issued as part of the interim financial performance report.

The Board will have before it:

- Interim financial performance report for the biennium 1996-1997. Submitted by the Director-General (IDB.18/4-PBC.13/4)

- Annual Report of UNIDO 1996 (including interim programme performance report for the biennium 1996-1997) (IDB.17/10-PBC.13/10, Add.1 and Add.2)

(c) Programme and budgets, 1998-1999

In accordance with Article 14.1 and 14.2 of the Constitution, the Director-General shall prepare and submit to the Board through the Committee a draft programme of work for the following fiscal period, together with the corresponding estimates for those activities to be financed from the regular budget. The Director-General shall, at the same time, submit proposals and financial estimates for those activities to be financed from voluntary contributions to the Organization. The Committee shall consider the proposals of the Director-General and submit to the Board its recommendations on the proposed programme of work and corresponding estimates for the regular budget and the operational budget. Such recommendations of the Committee shall require a two-thirds majority of the members present and voting.

At its sixteenth session, the Board in its decision IDB.16/Dec.12 requested the Director-General to prepare his programme and budget proposals for the biennium 1998-1999 with a ceiling lower than zero real growth, without constituting a precedent, while not affecting substantive programmes and activities. Subsequently, the Board, at its seventeenth session, adopted decision IDB.17/Dec.2, the annex to which proposed an indicative level of 20 per cent and 10 per cent reduction of the budget for the preparation of the 1998-1999 budget proposals. Furthermore, in response to the discussions at the seventeenth session and with the concurrence of the Board, the President of the Board requested the Secretariat to present a third budgetary proposal based on an indicative reduction of 30 per cent, with the understanding that it would be considered on an equal basis with the other two submissions (IDB.17/SR.8, para. 10).

Subsequently, the Committee at its thirteenth session took note of the documentation provided on the proposals for the programme and budgets, 1998-1999, and of the views expressed by Member States and requested the Director-General to prepare a programme and budget proposal for the biennium 1998-1999 on that basis. The Committee will consider the matter at its resumed thirteenth session.

The Board will have before it:

- Indicative 10 per cent budget reduction. Proposals by the Director-General (IDB.18/15/1-PBC.13/14/1)

- Indicative 20 per cent budget reduction. Proposals by the Director-General (IDB.18/15/2-PBC.13/14/2)

- Indicative 30 per cent budget reduction. Proposals by the Director-General (IDB.18/15-3-PBC.13/14/3)

- Programmatic and policy implications of the indicative budget reduction proposals. Submitted by the Director-General (IDB.18/15/4-PBC.13/14/4)

- Personnel and financial implications of the indicative budget reduction proposals. Submitted by the Director-General (IDB.18/15/5 Rev.1-PBC.13/14/5 Rev.1)

- Programme and budgets, 1998-1999. Revised proposals based on views expressed by Member States at the thirteenth session of the Programme and Budget Committee. Submitted by the Director-General (IDB.18/15/6-PBC.13/14/6)

- PBC recommendation emanating from its resumed thirteenth session on programme and budgets, 1998-1999

(d) Financial regulations and financial rules

At its sixteenth session, the Board took note of documents IDB.16/1 and Add.1 containing proposed amendments to the financial regulations, as well as the views expressed by delegations during the twelfth session of the Committee (IDB.16/Dec.9). The Board decided to establish an informal intersessional working group with the task of studying proposed amendments to the financial regulations.

The Board will have before it:

- Intersessional working group on proposed amendments to the financial regulations. Report of the Chairman (H.E. Mr. F. Mayrhofer-Grünbühel, Austria) (PBC.13/6-IDB.18/8)

- Amendments to the financial rules. Report by the Director-General (PBC.13/11-IDB.18/12)

- PBC conclusion 97/3 on financial regulations and financial rules (IDB.18/2, para. 13)

(e) Working Capital Fund

In accordance with financial regulation 5.4(a), the Committee should recommend to the Board the amount and purposes of the Working Capital Fund for the 1996-1997 biennium.

At its sixth session, the General Conference decided, in decision GC.6/Dec.16, that the level of the Working Capital Fund for the 1996-1997 biennium should be $6,750,000 and that the authorized purposes of the Fund should remain the same as those for previous bienniums (see decision GC.2/Dec.27).

The Board will have before it:

- Information on status of advances to the Working Capital Fund (contained in report on the financial situation) (PBC.13/13-IDB.18/14)

- Working Capital Fund for the biennium 1998-1999. Proposals by the Director-General (PBC.13/8-IDB.18/10)

- PBC conclusion 97/6 on the Working Capital Fund for the biennium 1998-1999 (IDB.18/2, para. 16)

(f) Appointment of an External Auditor

In accordance with financial regulation 11.1, an External Auditor, who shall be Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed in the manner and for the period decided by the General Conference.

The Conference, by decision GC.6/Dec.18, decided to extend the appointment of the President of the Federal Court of Audit of Germany as the External Auditor of UNIDO for a period of two years, from 1 July 1996 to 30 June 1998. The Conference also requested the Director-General, in future, to invite proposals from Member States for the appointment of an External Auditor and to submit such proposals to the Committee for consideration.

The Board will have before it:

- Candidatures for the appointment of an external auditor. Report by the Director-General (PBC.13/2)

- PBC conclusion 97/8 on proposals for the appointment of an external auditor (IDB.18/2, para. 21)

(g) Financial situation of UNIDO

The Industrial Development Board at its sixteenth session considered the financial situation of UNIDO and adopted decision IDB.16/Dec.5. Subsequent developments were reported to the Board in document IDB.17/24.

The Board also decided that the open-ended discussion group should continue working on the issue of timely payment of assessed contributions (IDB.16/Dec.6).

The Board will have before it:

- Intersessional open-ended discussion group to study applicable measures to expedite timely payment of assessed contributions. Report of the Chairman (H.E. Mr. S. K. Lee, Republic of Korea) (PBC.13/5-IDB.18/5)

- Report of the External Auditor on the interim accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the first year of the fiscal period 1996-1997 ended 31 December 1996 (PBC.13/3-IDB.18/3)

- The financial situation of UNIDO. Update of document IDB.17/24. Report by the Director-General (PBC.13/13-IDB.18/14)

- Options for the recovery of arrears. Note by the Secretariat (IDB.18/18)

- PBC conclusion 97/2 on the financial situation (IDB.18/2, para. 12)

(h) Industrial Development Fund and other voluntary contributions

Rules governing the financial management of the Industrial Development Fund, which were prepared by the Director-General in accordance with the financial regulations established by the Conference in its decision GC.2/Dec.25, are contained in the Financial Rules of UNIDO (UNIDO/DG/B.74/Rev.1/Amend.1).

In accordance with Board decision IDB.4/Dec.30, the Director-General is to provide information as to the nature of projects financed from the Fund, indicating therein the projects financed from its general-purpose segment as well as information as to the projects financed from its special-purpose segment. In Programme and Budget Committee conclusion 95/5 and subsequently in Board decision IDB.14/Dec.3, the Director-General was requested to reflect information on trust fund contributions from Member States in the programme performance report.

In decision IDB.16/Dec.10, the Board, *inter alia*, requested the Director-General to undertake specific measures with a view to increasing the level of the Industrial Development Fund and to achieving a balanced distribution in dispensing special-purpose funds. The Board furthermore requested the Director-General to provide a list of actual project approvals, giving a brief description of each, for the 1996-1997 cycle.

The Board will have before it:

- Industrial Development Fund and other voluntary contributions. Report by the Director-General (PBC.13/7-IDB.18/9)

- Information on the nature of projects financed from the Industrial Development Fund, contained in the Annual Report of UNIDO 1996 (PBC.13/10-IDB.17/10, Add.1, appendix C)

- Information on the nature of projects financed from third party and self-financed trust funds, contained in the Annual Report of UNIDO 1996 (PBC.13/10-IDB.17/10, Add.1, appendix D)

(i) Withdrawal of the United States of America

The Board, at its sixteenth session, considered the note by the Secretariat on legal and financial implications of the withdrawal of the United States of America from UNIDO (IDB.16/5 and Corr.1) and the intervention of the delegation of that country confirming their intention to pay the arrears. The Board also appealed to the United States Government to reconsider its decision to terminate the tax reimbursement agreement with UNIDO; it requested the Director-General to continue his discussions with the United States authorities on those matters and to report to the Board on their outcome.

The Board will have before it:

- Issues arising from the withdrawal of the United States. Submitted by the Director-General (IDB.18/11-PBC.13/9)

- Options for the recovery of arrears. Note by the Secretariat (IDB.18/18)

- PBC conclusion 97/2 on the withdrawal of the United States of America (IDB.18/2, para. 12)

Item 5. Future role and functions of UNIDO

In its decision IDB.17/Dec.2, the Board requested the intersessional working group on the future role and functions of UNIDO to further develop, in consultation with the Secretariat, a set of criteria and indicators that would allow the future assessment of the implications and monitoring of the implementation of the UNIDO reform process, including the performance of the Organization, in particular through the programme and budget. The Board further requested the chairman of the intersessional

working group to report to the Board before the seventh session of the General Conference.

The Board will have before it:

- Intersessional working group on the future role and functions of UNIDO. Report of the Chairman (Mr. I. Posta, Hungary, President, Industrial Development Board) (IDB.18/17)

Item 6. Preparations for the seventh session of the General Conference

The Board at its seventeenth session adopted the provisional agenda for the seventh session of the General Conference (IDB.17/Dec.9).

Organizational and procedural matters related to the Conference will be discussed by permanent missions to UNIDO in briefings to be organized by the Secretariat. Furthermore, on 21 November 1997, Mr. I. Posta (Hungary), President of the Board, will convene a briefing during which recommendations to the General Conference on organizational and procedural matters could be formulated.

Item 7. International Centre for Science and High Technology

The inclusion of this supplementary item was proposed by the Permanent Representative of Italy to UNIDO in accordance with rule 12 of the rules of procedure of the Board. The supporting statement is contained in the annex to document IDB.18/16.

The Board will have before it:

- International Centre for Science and High Technology. Note by the Director-General (IDB.18/16 and Add.1)

Item 8. Provisional agenda and date of the nineteenth session

In accordance with rule 10.2 of the rules of procedure, the Director-General shall submit to the Board at each regular session the provisional agenda for the following regular session. However, in accordance with the recommendations adopted by the Board at its fifth session for the conduct of business and rationalization of proceedings, the provisional agendas for the regular sessions should be drawn up in biennial groups by a special brief session of the Board following the General Conference (IDB.5/Dec.46, annex, paras. 2 and 4).

Concerning the date of the nineteenth session, the attention of the Board is drawn to the following tentative reservations made for the policy-making organs of UNIDO for 1998:

11-15 May	Industrial Development Board, nineteenth session
7-11 September	Programme and Budget Committee, fourteenth session
16-20 November	Industrial Development Board, twentieth session

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Resumed eighteenth session
Vienna, November 1997
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COLLECTION

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS THIRTEENTH SESSION

(8-11 September 1997)

CONTENTS

		Paragraphs	Page
Introduction		1 - 8	3
Chapter			
I.	ORGANIZATIONAL MATTERS	9 - 10	3
	Conclusion 97/1		3
II.	FINANCIAL SITUATION OF UNIDO (item 4); INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997 (item 5); FINANCIAL REGULATIONS AND FINANCIAL RULES (item 10); WITHDRAWAL OF THE UNITED STATES OF AMERICA (item 11)	11 - 13	4
	Conclusion 97/2		4
	Conclusion 97/3		4

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CONTENTS (continued)

Chapter		Paragraphs	Page
III.	PROGRAMME AND BUDGETS, 1998-1999 (item 6); SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES (item 7); WORKING CAPITAL FUND FOR THE BIENNIUM 1998-1999 (item 8)	14 - 17	7
	Conclusion 97/4		7
	Conclusion 97/5		9
	Conclusion 97/6		10
IV.	INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (item 9); WITHDRAWAL OF THE UNITED STATES OF AMERICA (item 11); PROPOSALS FOR THE APPOINTMENT OF AN EXTERNAL AUDITOR (item 12)	18 - 21	10
	Conclusion 97/7		10
	Conclusion 97/8		10
V.	DATE OF THE RESUMED THIRTEENTH SESSION	22	11
	Conclusion 97/9		11
VI.	ADOPTION OF THE REPORT AND SUSPENSION OF THE THIRTEENTH SESSION (items 14 and 15)	23 - 24	11
Annex	LIST OF DOCUMENTS SUBMITTED TO THE THIRTEENTH SESSION		12

Introduction

1. The Programme and Budget Committee held its thirteenth session at UNIDO Headquarters, Vienna International Centre, from 8 to 11 September 1997. The following 24 of the 27 members of the Committee participated in the session: Austria, Belgium, Brazil, Denmark, Ecuador, Egypt, France, Germany, India, Italy, Japan, Kuwait, Libyan Arab Jamahiriya, Mexico, Nigeria, Republic of Korea, Romania, Russian Federation, Saudi Arabia, Slovakia, Switzerland, Thailand, United Kingdom of Great Britain and Northern Ireland, Uruguay.

2. The following 66 Members of UNIDO also attended the session: Algeria, Angola, Argentina, Australia, Azerbaijan, Bangladesh, Belarus, Bolivia, Bosnia and Herzegovina, Bulgaria, Chile, China, Colombia, Costa Rica, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Ethiopia, Finland, Gabon, Ghana, Greece, Guatemala, Haiti, Hungary, Indonesia, Islamic Republic of Iran, Iraq, Ireland, Jordan, Kazakhstan, Kyrgyzstan, Lebanon, Lesotho, Liberia, Luxembourg, Madagascar, Malaysia, Morocco, Netherlands, New Zealand, Nicaragua, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Qatar, Republic of Moldova, Slovenia, Spain, Sri Lanka, Sudan, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, Venezuela, Yemen, Zambia.

3. The Economic Commission for Africa, Organization of African Unity, United Nations Development Programme, United Nations Educational, Scientific and Cultural Organization, United Nations Office at Vienna, World Health Organization were represented.

4. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation Mr. J. P. G. Freeman (United Kingdom of Great Britain and Northern Ireland) as Chairman; Mr. Y. M. Tiwari (India), Mr. S. Dahiru (Nigeria), and Mr. E. A. Stanislavov (Russian Federation) as Vice-Chairmen; and Mr. J. G. Young (Uruguay) as Rapporteur.

5. The agenda for the thirteenth session as adopted by the Committee is contained in document PBC.13/1. Following the adoption of the agenda, the Director-General made an introductory statement that was duly taken into account by the Committee in the consideration of the relevant agenda items.

6. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

7. The report contains the conclusions reached by the Committee. The annex to the present report contains a list of documents submitted to the Committee at its current session.

8. The following conclusions of the Committee contain recommendations that call for action by the Board at its eighteenth session or are of relevance to the work of that session:

Conclusion	Subject
97/2	Financial situation of UNIDO and withdrawal of the United States of America
97/3	Financial regulations and financial rules
97/5	Scale of assessments for apportionment of the regular budget expenses
97/6	Working Capital Fund for the biennium 1998-1999
97/7	Industrial Development Fund and other voluntary contributions
97/8	Proposals for the appointment of an external auditor

I. ORGANIZATIONAL MATTERS

9. On 8 September, the Committee considered a proposal by the Chairman to optimize the *utilization of available conference-servicing resources* and adopted the following conclusion:

Conclusion 97/1

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its thirteenth session only, provided no substantive decisions were taken at those meetings.

10. The Committee also decided to set up informal in-session consultations with the aim of facilitating the drafting of conclusions and entrusted Mr. Y. M. Tiwari (India) (Vice-Chairman) to chair those consultations.

II. FINANCIAL SITUATION OF UNIDO (item 4); INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997 (item 5); FINANCIAL REGULATIONS AND FINANCIAL RULES (item 10); WITHDRAWAL OF THE UNITED STATES OF AMERICA (item 11)

11. On 8 September, the Committee considered the report of the External Auditor on the interim accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the first year of the fiscal period 1996-1997 ended 31 December 1996 (PBC.13/3), a report by the Chairman (Mr. S. K. Lee, Republic of Korea) on the intersessional open-ended discussion group to study applicable measures to expedite timely payment of assessed contributions (PBC.13/5), a report by the Director-General on the financial situation of UNIDO (PBC.13/13), a note by the Secretariat on the financial situation of UNIDO (PBC.13/CRP.2), the interim financial performance report for the biennium 1996-1997 submitted by the Director-General (PBC.13/4) and the Annual Report of UNIDO 1996 (including programme performance report for 1996) (PBC.13/10, Add.1 and Add.2), a report by the Chairman (Mr. F. Mayrhofer-Grünbühel, Austria) of the intersessional working group on proposed amendments to the financial regulations (PBC.13/6), and a report by the Director-General on amendments to the financial rules (PBC.13/11) (for documents related to item 11, see para. 18 below).

12. On 11 September, after consideration of a draft conclusion on the *financial situation of UNIDO* and *withdrawal of the United States of America* submitted by the Chairman (PBC.13/L.4), the Committee adopted the following conclusion:

Conclusion 97/2 FINANCIAL SITUATION WITHDRAWAL OF THE UNITED STATES OF AMERICA

The Programme and Budget Committee:

(a) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(i) Takes note of the report of the Director-General on the financial situation of UNIDO (PBC.13/13 and PBC.13/CRP.2) containing information concerning the status of assessed contributions, advances to the Working Capital Fund, cash flow estimates, regular budget performance, operational budget status and the separation indemnity reserve;

"(ii) Also takes note with concern of the information contained in the report by the External Auditor on the interim accounts for the first year of the fiscal period 1996-1997 (PBC.13/3-IDB.18/3);

"(iii) Further takes note of the report of the intersessional open-ended discussion group to study applicable measures to expedite timely payment of assessed contributions (PBC.13/5-IDB.18/5);

"(iv) Takes note of the information contained in the report on the withdrawal of the United States of America (PBC.13/9);

"(v) Urges those Member States that have not yet paid their assessed regular budget contributions, including advances to the Working Capital Fund, for the bienniums 1986-1987 to 1996-1997 to do so without further delay;

"(vi) Strongly urges the United States of America to pay immediately its international financial obligations to the Organization of $61.3 million (comprising $38.3 million and AS 278.6 million);

"(vii) Requests the Government of the United States of America to reimburse income tax on salaries and emoluments for UNIDO staff members who are United States citizens and appeals to the United States Government to reconsider its decision to terminate the tax reimbursement agreement with UNIDO."

(b) Noted the request of the Board contained in decision IDB.17/Dec.3, paragraph (c), for the open-ended discussion group on timely payment of assessed contributions to present recommendations to the Board before the seventh session of the General Conference.

13. On 11 September, after consideration of a draft conclusion on the *financial regulations and financial rules* submitted by the Chairman (PBC.13/L.3), the Committee adopted the following conclusion:

Conclusion 97/3 FINANCIAL REGULATIONS AND FINANCIAL RULES

The Programme and Budget Committee:

(a) Took note of the report of the Chairman of the intersessional working group on proposed amendments to the financial regulations (PBC.13/6);

(b) Also took note of the report by the Director-General containing in its annex amended financial rules 104.3, 109.6(b) and 110.7(b) (PBC.13/11-IDB.18/12);

(c) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(i) Having considered conclusion 1997/3 of the Programme and Budget Committee, decides to submit to the General Conference at its seventh session for consideration and adoption the amendments to financial regulations 3.4(a), 5.1(d), 5.2(b), 10.1(b), 10.2(a) and 10.2(c), as set out in the texts contained in the annex to the present decision;"

"(ii) Requests the intersessional working group, under the chairmanship of Mr. F. Mayrhofer-Grünbühel (Austria), to continue its examination of financial regulations 4.2(b), 4.2(c), 4.3(b), 4.3(c) and 5.2(d) and to report to the Committee at its fourteenth session;"

"(iii) Requests the Secretariat to continue to provide the working group with information concerning the financial implications of these amendments."

Annex

Regulation	Text prior to amendment	Text as amended
3.4(a)	The regular budget shall be divided into programmes and subprogrammes for expenditure as well as into sections for income. It shall also be presented by major objects of expenditure. It shall be accompanied by such information annexes and explanatory statements as may be requested by the General Conference (hereinafter referred to as the "Conference"), the Board or the Programme and Budget Committee, as well as such annexes as the Director-General may deem necessary or useful. The regular budget also shall be accompanied by a statement on the main changes in comparison with the previous biennium.	3.4(a) The regular budget shall be divided into major programmes, programmes and subprogrammes for expenditure as well as into sections for income. It shall also be presented by major objects of expenditure. It shall be accompanied by such information annexes and explanatory statements as may be requested by the General Conference (hereinafter referred to as the "Conference"), the Board or the Programme and Budget Committee as well as such annexes as the Director-General may deem necessary or useful. The regular budget also shall be accompanied by a statement on the main changes in comparison with the previous biennium.
5.1(d)	Each assessment shall be established in a component in United States dollars and the remainder in Austrian schillings in direct proportion to the respective shares of regular budget expenditures determined by the Conference, upon recommendation of the Director-General, to be linked to these two currencies. The initial assessment in Austrian schillings shall be established at the United Nations accounting rate of exchange in effect at the time the regular budget is adopted by the Conference.	5.1(d) Each assessment shall be established in a component in United States dollars and the remainder in Austrian schillings in direct proportion to the respective shares of regular budget expenditures determined by the Conference, upon recommendation of the Director-General, to be linked to these two currencies.
5.2(b)	Half of the estimated miscellaneous income to the regular budget for the fiscal period, for which credits have not previously been taken into account, and adjustments in estimated miscellaneous income previously taken into account;	5.2(b) Half of the estimated miscellaneous income to the regular budget for the fiscal period and credits in respect of income not previously taken into account.

Regulation	Text prior to amendment	Text as amended
10.1(b)	To the General Fund shall be credited:	10.1(b) Unchanged.
	(i) The contributions to the regular budget paid by members pursuant to Financial Regulation 5.1;	10.1(b)(i) Unchanged.
	(ii) Any advances made from the Working Capital Fund to finance expenditures of the regular budget;	10.1(b)(ii) Unchanged.
	(iii) Revenue derived from the Staff Assessment Plan;	10.1(b)(iii) Deleted.
10.1(b)	(iv) Miscellaneous income to the regular budget including income from investment of the Working Capital Fund and the General Fund, proceeds from the provision or rental of goods or services, or adjustments arising subsequent to the closing of an operational budget account such as a trust fund, special account, project, etc.	10.1(b)(iii) [text unchanged, renumbered only].
10.2(a)	The Director-General shall establish such accounts and maintain such accounting records as are necessary.	10.2(a) The Director-General shall establish such accounts and maintain such accounting records as are necessary, giving due consideration to the United Nations accounting standards.
10.2(c)	The Director-General also shall prepare and submit:	10.2(c) Unchanged.
	(i) A statement showing the assets and liabilities of the Organization at the close of the fiscal period;	10.2(c)(i) A statement of income and expenditure and changes in reserves and fund balances;
	(ii) An analysis of the financial situation of the Organization at the close of the fiscal period;	10.2(c)(ii) A statement of assets, liabilities, and reserves and fund balances;
	(iii) Such other information as may be appropriate.	10.2(c)(iii) A statement of cash flow;
		10.2(c)(iv) A statement of appropriations by major programme;
		10.2(c)(v) An analysis of the financial situation of the Organization at the close of the fiscal period;
		10.2(c)(vi) Such other information as may be appropriate.

III. PROGRAMME AND BUDGETS, 1998-1999 (item 6); SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES (item 7); WORKING CAPITAL FUND FOR THE BIENNIUM 1998-1999 (item 8)

14. On 8 and 9 September, the Committee considered proposals by the Director-General containing an indicative 10 per cent budget reduction (PBC.13/14/1), an indicative 20 per cent reduction (PBC.13/14/2), an indicative 30 per cent reduction (PBC.13/14/3), programmatic and policy implications of the indicative budget reduction proposals (PBC.13/14/4) and personnel and financial implications of the indicative budget reduction proposals (PBC.13/14/5), a note by the Secretariat on the scale of assessments for the fiscal period 1998-1999 (PBC.13/12), and proposals by the Director-General on the Working Capital Fund for the biennium 1998-1999 (PBC.13/8).

15. On 11 September, after consideration of a draft conclusion on the *programme and budgets, 1998-1999* submitted by the Chairman (PBC.13/L.8), the Committee adopted the following conclusion:

Conclusion 97/4 PROGRAMME AND BUDGETS, 1998-1999

The Programme and Budget Committee,

(a) Took note of the documentation provided on the proposals for the programme and budgets, 1998-1999 (PBC.13/14/1-5);

(b) Also took note of the views expressed by Member States during the informal consultations, as reflected in the report of the Chairman contained in the annex to the present conclusion;

(c) Requested the Director-General to prepare a programme and budget proposal for the biennium 1998-1999 on that basis for submission to a resumed thirteenth session of the Committee to be held on 6 and 7 November 1997;

(d) Decided to establish an ad hoc open-ended working group under the chairmanship of Mr. J. A. F. M. Förster (Netherlands) for the purpose of examining issues related to field representation, including further opportunities for administrative savings and the extent to which those resources could be redeployed to the field.

(e) Requested the ad hoc open-ended working group to report to the resumed thirteenth session of the Committee, taking into account the need for the Director-General to reflect the recommendations emerging therefrom in his proposals.

Annex

Report of the Chairman, Informal Consultations H.E. Y.M. Tiwari (India)

Mr. Chairman, Distinguished Delegates,

1. When the Bureau first met at the beginning of the session to tackle the question of addressing the budget proposals, there was no clear solution pointing to a particular approach guaranteeing success. While I was honoured to be entrusted with the task of chairing this important exercise, it was with reluctance that I agreed to do so, knowing full well that it would be no easy task. Our first meeting—on Tuesday afternoon—began with a consensual agreement to use as a technical basis for our discussions the document covering the 20 per cent indicative reduction, without prejudice to the actual outcome of reductions to be applied to the various programmes and subprogrammes. Of paramount consideration at all times was the recognition that resource allocations were to reflect activities and priorities in the Business Plan.

Mr. Chairman,

2. It has often been said over the past few months that Member States have demonstrated a high regard for the principle of consensus. This spirit certainly prevailed in our discussions, which took place in an atmosphere of understanding of our common interest. The high quality of interventions reflected the degree to which many delegates have studied the detailed proposals and considered the implications of budgetary allocations attached to the programmes.

3. Not surprisingly, Mr. Chairman, Major Programmes C and D—which represent the essence of substantive programmes contained in the Business Plan—required difficult hours of discussion. There was general consensus that these two Major Programmes, which represent the main substantive areas of work of the Organization, should be preserved to the maximum extent possible. Major Programme E—containing the field representation element—was no less arduous.

4. To sum up our agreements, it must be said that in some cases both Germany and Japan expressed reservations pending the overall picture and instructions from their capitals.

Major Programme A

5. The meeting felt that the 20 and 30 per cent scenarios differed little in terms of cost, and the 10 per cent scenario had only a slightly higher budget but not significantly so. The meeting therefore proposed to recommend the 30 per cent budget reduction for this programme and achieve further savings by shortening meetings, speaking time, or both. There seemed to be an inclination to consider favourably the suspension of the relevant rule of procedures of the IDB (rule 69.1) regarding the issuing of summary records and issuing unedited transcripts of meetings as in other organizations.

6. The meeting also suggested that further savings may be found—as proposed by one Member State and supported by other Member States—in reducing the number and/or duration of IDB and PBC meetings.

Major Programme B

7. The meeting presented a very heterogeneous picture with a wide range of views. There were some views to abolish the New York and Geneva Liaison Offices; others urged caution not to close them. The majority saw the value in retaining the services of the liaison offices while emphasizing the continuing search for possible savings.

8. With the exception of one Member State in particular—who noted that Legal Services retained the same resources in all three scenarios—most other delegations understood the need for keeping the resources and staffing level proposed in the scenarios. There was some suggestion to economize—some small economies and major restructuring were suggested—in particular with respect to the regrouping of activities in an effort to support audit-related services. The meeting noted that the 20 and 30 per cent scenarios were practically identical in terms of budget allocations. The consensus which emerged was to recommend the adoption of the level of resources foreseen in the identical 20 and 30 per cent scenarios. There was also the proviso that, within this major programme, serious thought would be given to the relative weights of individual programmes. Moreover, further efforts should be made to achieve further savings in consultants, travel (particularly for the Liaison Offices), overtime and general temporary assistance.

Major Programme C

9. Most delegations agreed that this Major Programme is a key priority and fully corresponds to the Business Plan.

- C.1 (Industrial investment, technology and information): A figure less than a 20 per cent reduction of budget seemed to be acceptable to most delegations, while some Member States were in favour of eliminating subprogramme C.1.2 (Technological capacity-building). One delegation proposed to largely retain the activities foreseen under this subprogramme C.1.2 but incorporating them into subprogrammes C.1.1 (Investment promotion and technology transfer) and C.1.3 (Industrial information and networking) as appropriate.

- C.2 (Industrial policies and strategies): A reduction between 10 and 20 per cent was suggested. Most delegations agreed that this is a core global forum function of UNIDO which corresponds closely to the Business Plan. One Member State was in favour of reductions in subprogramme C.2.2 (Industrial statistics).

- C.3 (Institutional capacity-building): The programme was found to be fully in line with the Business Plan priorities. Most delegations supported the reduction of 10 per cent.

- C.4 (Integrated agro-industry development): This programme was also seen as a core priority of the Business Plan. The majority proposed no cuts with some Member States arguing even for increased resources for this programme.

C.5 (Other sectoral capacity-building): While the two subprogrammes under this programme were found by some delegations to be relatively small, most agreed to keep them at the 20 per cent reduction scenario.

Major Programme D (Cleaner and sustainable industrial development)

10. All delegations agreed that this Major Programme corresponds to the key priority established in the Business Plan.

- D.1 (Cleaner production): Reductions should be less than 20 per cent and more towards the 10 per cent scenario.

- D.2 (Applied environmental technologies): A 10 per cent reduction was agreed.

- D.3 (International environmental agreements): A 10 per cent reduction was retained.

Major Programme E (Regional programme management)

11. This Major Programme involved possibly the most complex and lengthy discussion and negotiation. There was general sentiment that the implications of the programme and budget proposals had not been fully developed to provide a comprehensive and clear picture of the future structures. The resource allocations to headquarters-based activities appeared to many Members to offer further scope for redeployment. The functions and linkages of the three levels foreseen (headquarters, subregional and country offices), in particular needed to be clearly defined. Some Members highlighted the importance of voluntary contributions for field structures to supplement the low resource level. There was an overall agreement that, at any rate, field structures should be strengthened as indicated in the Business Plan. In the final analysis, there was general consensus to retain the global resource figure for field offices as contained in the 20 per cent scenario document, linked with the request to the Director-General to effect further redeployments from all relevant parts of the Organization, to the maximum extent possible. Furthermore, at the conclusion of these present budget discussions, should further savings be identified for redeployment, such funds should be redeployed to field offices.

Major Programme F (Technical cooperation management)

- F.1 (Funds mobilization, project approvals and programme monitoring): It was requested that reductions be as close as possible to the 30 per cent scenario. In addition, the question was raised regarding the organizational location of Internal Audit in view of its close links with Evaluation and Programme Monitoring and also considering the issue of personnel setup with G.1.

- F.2 (Quality assurance and evaluation): A 20 per cent reduction was agreed.

- F.3 (Operational support): A reduction was requested which would move slightly beyond 20 per cent, with further cuts to be concentrated on staff costs. The question of the optimal organizational structure of Personnel Services and Financial Services was raised.

Major Programme G (Administration)

12. The general inclination was towards the maximum level of reductions. The 30 per cent scenario was accepted with the proviso that efforts to identify areas of further savings be continued. Resources thus saved should be used to strengthen field structures, in keeping with the concept of increased delegation of authority to the field. A small intersessional working group could be established for this purpose.

13. Concern was expressed over the methodology to be applied to separations and over the cost thereof. Member States urged the Secretariat to use a judicious mix of voluntary separations and expiration of fixed-term contracts no longer required in view of the discontinuance of activities in accordance with the Business Plan and in view of the major restructuring of UNIDO which would result therefrom.

16. On 11 September, after consideration of a draft conclusion on the *scale of assessments for apportionment of the regular budget expenses* submitted by the Chairman (PBC.13/L.2), the Committee adopted the following conclusion:

Conclusion 97/5 SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE REGULAR BUDGET EXPENSES

The Programme and Budget Committee:

(a) Took note of the note by the Secretariat on the scale of assessments for the fiscal period 1998-1999 (PBC.13/12);

(b) Proposed to the Industrial Development Board that it recommend to the General Conference the establishment of a scale of assessments for the biennium 1998-1999, based on the scale employed by the United Nations at the time of the seventh session of the General Conference.

17. On 11 September, after consideration of a draft conclusion on the *Working Capital Fund for the biennium 1998-1999* submitted by the Chairman

(PBC.13/L.5), the Committee adopted the following conclusion:

Conclusion 97/6 WORKING CAPITAL FUND FOR THE BIENNIUM 1998-1999

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recommends to the General Conference that, due to changes in membership, the level of the Working Capital Fund for the 1998-1999 biennium should be $6,610,000 and that the authorized purposes of the Fund for the 1998-1999 biennium should remain the same as for the 1996-1997 biennium, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

"(b) Urges Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions."

IV. INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (item 9); WITHDRAWAL OF THE UNITED STATES OF AMERICA (item 11); PROPOSALS FOR THE APPOINTMENT OF AN EXTERNAL AUDITOR (item 12)

18. On 9 and 10 September, the Committee considered a report by the Director-General on the Industrial Development Fund and other voluntary contributions (PBC.13/7), information on the nature of projects financed from the Industrial Development Fund, contained in the Annual Report of UNIDO 1996 (PBC.13/10/Add.1, appendix C), information on the nature of projects financed from third party and self-financed trust funds, contained in the Annual Report of UNIDO 1996 (PBC.13/10/Add.1, appendix D), a note by the Secretariat containing lists of projects approved under the Industrial Development Fund in 1996 (PBC.13/CRP.1), a report by the Director-General on issues arising from the withdrawal of the United States of America (PBC.13/9) and a report by the Director-General containing candidatures for the appointment of an external auditor (PBC.13/2).

19. On 11 September, after consideration of a draft conclusion on the *Industrial Development Fund and other voluntary contributions* submitted by the Chairman (PBC.13/L.6), the Committee adopted the following conclusion:

Conclusion 97/7 INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information contained in document IDB.18/9-PBC.13/7;

"(b) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 1998 and 1999, in accordance with the information contained in chapter II of document IDB.18/9-PBC.13/7;

"(c) Encourages Member States to increase their pledges to the Fund and to make available funding from both multi- and bilateral sources for UNIDO projects and programmes related to high-priority activities or areas;

"(d) Encourages Governments of recipient countries to take a more active role in sharing with UNIDO the responsibility to mobilize funds from sources available to them for UNIDO projects and programmes related to high-priority activities or areas."

20. On 11 September, the Committee adopted a conclusion (97/2) on the *withdrawal of the United States of America* (see para. 12 above).

21. On 11 September, after consideration of a draft conclusion on *proposals for the appointment of an external auditor* submitted by the Chairman (PBC.13/L.7), the Committee adopted the following conclusion:

Conclusion 97/8 PROPOSALS FOR THE APPOINTMENT OF AN EXTERNAL AUDITOR

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board recommends that the General Conference approve an extension of the present appointment of the President of the Federal Court of Audit of Germany as the External Auditor of UNIDO for a period of two years, from 1 July 1998 to 30 June 2000, under the terms of reference specified in the Financial Regulations of UNIDO."

V. DATE OF THE RESUMED THIRTEENTH SESSION

22. On 11 September, the Committee adopted the following conclusion:

Conclusion 97/9 DATE OF THE RESUMED THIRTEENTH SESSION

The Programme and Budget Committee decided to resume its thirteenth session on 6 and 7 November 1997.

VI. ADOPTION OF THE REPORT AND SUSPENSION OF THE THIRTEENTH SESSION (items 14 and 15)

23. On 11 September, the Committee adopted the draft report of its thirteenth session (PBC.13/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

24. The Committee suspended its thirteenth session at 7.15 p.m. on 11 September 1997.

Annex

DOCUMENTS SUBMITTED TO THE THIRTEENTH SESSION

Symbol	Agenda item	Title
PBC.13/1	3	Provisional agenda
PBC.13/1/Add.1	3	Annotated provisional agenda
PBC.13/2	12	Candidatures for the appointment of an external auditor. Report by the Director-General
PBC.13/3-IDB.18/3	4	Report of the External Auditor on the interim accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the first year of the fiscal period 1996-1997 ended 31 December 1996
PBC.13/4-IDB.18/4	5	Interim financial performance report for the biennium 1996-1997. Submitted by the Director-General
PBC.13/5-IDB.18/5	4	Intersessional open-ended discussion group to study applicable measures to expedite timely payment of assessed contributions. Report of the Chairman (H.E. Mr. S. K. Lee, Republic of Korea)
PBC.13/6-IDB.18/8	10	Intersessional working group on proposed amendments to the financial regulations. Report of the Chairman (H.E. Mr. F. Mayrhofer-Grünbühel, Austria)
PBC.13/7-IDB.18/9	9	Industrial Development Fund and other voluntary contributions. Report by the Director-General
PBC.13/8-IDB.18/10	8	Working Capital Fund for the biennium 1998-1999. Proposals by the Director-General
PBC.13/9-IDB.18/11	11	Issues arising from the withdrawal of the United States. Report by the Director-General
PBC.13/10-IDB.17/10	5	Annual Report of UNIDO 1996
PBC.13/10/Add.1-IDB.17/10/Add.1	5	Annual Report of UNIDO 1996. Programme performance report. Operational statistics and other appendices
PBC.13/10/Add.2-IDB.17/17/Add.2	5	Annual Report of UNIDO 1996. Programme performance report. List of technical cooperation projects
PBC.13/11-IDB.18/12	10	Amendments to the financial rules. Report by the Director-General
PBC.13/12-IDB.18/13	7	Scale of assessments for the fiscal period 1998-1999. Note by the Secretariat
PBC.13/13-IDB.18/14	4	Financial situation of UNIDO. Report by the Director-General
PBC.13/14/1-IDB.18/15/1	6	Programme and budgets, 1998-1999. Indicative 10 per cent budget reduction. Proposals by the Director-General

Symbol	Agenda item	Title
PBC.13/14/2-IDB.18/15/2	6	Programme and budgets, 1998-1999. Indicative 20 per cent budget reduction. Proposals by the Director-General
PBC.13/14/3-IDB.18/15/3	6	Programme and budgets, 1998-1999. Indicative 30 per cent budget reduction. Proposals by the Director-General
PBC.13/14/4-IDB.18/15/4	6	Programme and budgets, 1998-1999. Programmatic and policy implications of the indicative budget reduction proposals. Submitted by the Director-General
PBC.13/14/5-IDB.18/15/5	6	Programme and budgets, 1998-1999. Personnel and financial implications of the indicative budget reduction proposals. Submitted by the Director-General
		* * * * *
PBC.13/CRP.1	9	Industrial Development Fund and other voluntary contributions. Lists of projects approved under the Fund in 1996. Prepared by the Secretariat
PBC.13/CRP.2	4	Financial situation of UNIDO. Note by the Secretariat
PBC.13/CRP.3	3	List of documents
PBC.13/CRP.4	-	List of participants

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Industrial Development Board

Resumed eighteenth session
Vienna, November 1997
Agenda item 9

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS THIRTEENTH SESSION

Addendum

Resumed thirteenth session
(6-7 November 1997)

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 9	2
Chapter			
I.	PROGRAMME AND BUDGETS, 1998-1999 (item 6)	10 - 12	3
	Conclusion 97/10	11	3
	Conclusion 97/11	12	8
II.	FINANCIAL SITUATION OF UNIDO (item 4)	13 - 14	8
	Conclusion 97/12	14	8
III.	DATE OF THE FOURTEENTH SESSION (item 13)	15	9
	Conclusion 97/13	15	9
IV.	ADOPTION OF THE REPORT AND CLOSURE OF THE THIRTEENTH SESSION (items 14 and 15)	16 - 17	9
Annexes			
I.	STATEMENTS BY DELEGATIONS		10
II.	LIST OF DOCUMENTS SUBMITTED TO THE RESUMED THIRTEENTH SESSION		12

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

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Introduction

1. The Programme and Budget Committee resumed its thirteenth session at UNIDO Headquarters, Vienna International Centre, from 6 to 7 November 1997, under the chairmanship of Mr. J.P.G. Freeman (United Kingdom of Great Britain and Northern Ireland).

2. In accordance with its conclusion 97/4, paragraph (c), the Committee resumed consideration of item 6 of the agenda of its thirteenth session, i.e. programme and budgets, 1998-1999. The Committee also discussed the financial situation of UNIDO (item 4).

3. The following 24 of the 27 members of the Committee participated in the session:

Austria, Belgium, Brazil, Denmark, Ecuador, Egypt, France, Germany, India, Italy, Japan, Kuwait, Libyan Arab Jamahiriya, Mexico, Nigeria, Republic of Korea, Romania, Russian Federation, Saudi Arabia, Slovakia, Switzerland, Thailand, United Kingdom of Great Britain and Northern Ireland and Uruguay.

4. The following 58 Members of UNIDO also attended the session:

Afghanistan, Algeria, Angola, Argentina, Armenia, Azerbaijan, Belarus, Bolivia, Bosnia and Herzegovina, Bulgaria, Chile, China, Colombia, Croatia, Cuba, Czech Republic, Democratic People's Republic of Korea, Ethiopia, Finland, Georgia, Greece, Guatemala, Hungary, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Jordan, Lebanon, Liberia, Luxembourg, Malaysia, Morocco, Netherlands, New Zealand, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Qatar, Republic of Moldova, Slovenia, Spain, Sri Lanka, Sudan, Sweden, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, Ukraine, United Arab Emirates, Venezuela, Viet Nam and Yemen.

5. The United Nations Office at Vienna, International Atomic Energy Agency, World Health Organization, European Commission and League of Arab States were represented.

6. The Rapporteur of the Committee, Mr. J.G. Young (Uruguay), who was unable to attend the resumed session, was succeeded in that function by Mr. F. Pittaluga Fonseca (Uruguay).

7. The report of the resumed session of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

8. The report contains the conclusions reached by the Committee. Explanations of vote made in connection with the adoption of conclusion 97/10 are included in annex I to the report. Annex II contains a list of documents submitted to the Committee at its current session.

9. The following conclusions of the Committee contain recommendations that call for action by the Board at its resumed eighteenth session, or are of relevance to the work of that session:

Conclusion	Subject
97/10	Programme and budgets, 1998-1999
97/11	Personnel and financial implications of the budget reductions
97/13	Date of the fourteenth session

I. PROGRAMME AND BUDGETS, 1998-1999 (item 6)

10. On 6 November, the Committee considered the revised proposals for the programme and budgets, 1998-1999 (PBC.13/14/6), and the personnel and financial implications of the proposed budget reductions (PBC.13/14/5/Rev.1) submitted by the Director-General, a report by the Chairman of the ad hoc open-ended working group on issues related to field representation (Mr. H. Förster, Netherlands) (PBC.13/CRP.5), and a note by the Secretariat on a major replacement programme (PBC.13/CRP.8).

11. On 7 November, the Committee considered a draft conclusion on the *programme and budgets, 1998-1999*, submitted by the Chairman (PBC.13/L.12), and two oral amendments also submitted by the Chairman. At the request of the representative of Germany, a vote was taken on the draft conclusion as amended. By 21 votes to one, the Committee adopted the following conclusion:

Conclusion 97/10

The Programme and Budget Committee:

(a) Recalled its conclusion 97/4;

(b) Having considered the revised proposals of the Director-General for the programme of work for the 1998-1999 biennium and the corresponding total resource requirements by Major Programme to be financed from the regular and operational budgets as contained in document IDB.18/15/6-PBC.13/14/6;

(c) Having also considered the views of Member States;

(d) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(i) Adopts for submission to the General Conference for consideration and approval the revised proposals of the Director-General for the programme and budgets for 1998-1999 as contained in document IDB.18/15/6-PBC.13/14/6 with the reductions listed in the annex to conclusion 97/10 of the Programme and Budget Committee;

"(ii) Recommends to the General Conference the approval on the basis of an exchange rate of US$ 1 = AS 12.90 of appropriations in the amount of $145,785,100 for the regular budget of the Organization in 1998-1999, as reflected in the following table:

	(In US dollars)		
	Appropriations	**Estimated income**	**Net requirements**
Policy-making Organs	6,680,000		6,680,000
General Management	10,474,000		10,474,000
Strengthening of Industrial Capacities	42,016,400		42,016,400
Cleaner and Sustainable Industrial Development	14,410,400		14,410,400
Regional Programme Management	20,235,900	895,500	19,340,400
Technical Cooperation Management	7,567,600		7,567,600
Administration	44,400,800	13,955,300	30,445,500
Miscellaneous Income		1,508,300	(1,508,300)
Total	**145,785,100**	**16,359,100**	**129,426,000**

Note: The amounts presented in the table are to be adjusted in accordance with the adjustment formula presented at the end of the present decision to take account of exchange rate variations during the biennium.

"(iii) Also recommends to the General Conference that the foregoing appropriations of $145,785,100 at an exchange rate of US$ 1 = AS 12.90 be financed from:

a. Payments of contributions by Member States under the provisions of financial regulation 5.5(e) amounting to $129,426,000 ($23,246,700 plus the equivalent in United States dollars of AS 1,369,714,050) in accordance with decisions to be adopted by the General Conference at its seventh session concerning the scale of assessments;

b. Miscellaneous and other income of $16,359,100;

"(iv) Further recommends to the General Conference the approval of estimates of net expenditure totalling $27,490,200 at an exchange rate of US$ 1 = AS 12.90 for the purpose of the operational budget for the biennium 1998-1999 to be financed from voluntary contributions and such other income as might be provided for in the financial regulations."

(e) The Programme and Budget Committee further recommended an increase in the allocation of Major Programme E by $100,000 and requested the Director-General to reflect this adjustment in the proposed programme and budgets, 1998-1999, to be submitted to the General Conference at its seventh session;

(f) There was a generally held view in the Committee that, in light of the significant budget reductions already made, any further reductions in the 1998-1999 or future budgets would seriously impair the capacity of UNIDO to fulfil its mandate.

Adjustment formula in US dollars

	Appropriations	US dollars			Austrian schillings
A.	Policy-making Organs	551,100	+	(	79,062,200 /R)
B.	General Management	2,592,700	+	(	101,668,900 /R)
C.	Strengthening of Industrial Capacities	4,687,200	+	(	481,547,200 /R)
D.	Cleaner and Sustainable Industrial Development	1,541,100	+	(	166,014,200 /R)
E.	Regional Programme Management	12,455,700	+	(	100,364,600 /R)
F.	Technical Cooperation Management	658,000	+	(	89,133,850 /R)
G.	Administration	2,612,500	+	(	539,069,500 /R)
	Subtotal appropriations	25,098,300	+	(	1,556,860,450 /R)
	Estimated income				
E.	Regional Programme Management	895,500	+	(	0 /R)
G.	Administration	294,000	+	(	176,230,600 /R)
	Miscellaneous	662,100	+	(	10,915,800 /R)
	Subtotal estimated income	1,851,600	+	(	187,146,400 /R)
TOTAL NET REQUIREMENTS		**23,246,700**	**+**	**(**	**1,369,714,050 /R)**

Note 1: The net requirements shown above assume a ratio of 18 per cent in US dollars and 82 per cent in Austrian schillings at an exchange rate of US$ 1 = AS 12.90.

Note 2: R represents the average United Nations exchange rate for Austrian schilling to US dollar which will be experienced during 1998-1999.

Annex

Table 1

Reductions introduced to document IDB.18/15/6-PBC.13/14/6

(In thousands of US dollars)

I.	**Programme reductions**	
1.	**Major Programme B. General Management**	
(i)	Programme B.5 - United Nations System Coordination and Liaison	
	- UNIDO Office at Geneva (one Professional, one General Service post and operating costs)	535.2
	- UNIDO Office at New York (one General Service post)	107.8
(ii)	Programme B.6 - Public Relations and Information	
	Other expenditures - language and documentation services	100.0
	Total reduction - Major Programme B.	**743.0**
2.	**Major Programme G. Administration**	
(i)	Programmes G.1 and G.4	
	Other expenditures - Library and Medical Services	70.0
(ii)	Programme G.3 - General Services	
	General operating costs	100.0
	Total reduction - Major Programme G.	**170.0**
3.	**Impact on the Regular Programme of Technical Cooperation (6% of budget)**	58.3
	Reductions (at 1996-1997 rates)	**971.3**
II.	**Recosting reductions**	
	Reduction of compounded cost increase rate from 2% per annum to 1.8% per annum and deletion of recosting on programme reductions	**503.7**
III.	**Total budget reductions**	**1,475.0**

Table 2

Budget adjustments

(In thousands of US dollars)

		1998-1999 budget at 1996-1997 rates	Recosting	Net requirements 1998-1999
A.	**Regular budget estimates - IDB.18/15/6-PBC.13/14/6**	**125,870.9**	**5,030.1**	**130,901.0**
B.	**Further budget reductions**			
	- Informal Working Group	(913.0)	(166.2)	(1,079.2)
	- 6% Regular Programme of Technical Cooperation	(58.3)	(2.2)	(60.5)
	- Adjustments to recosting - Informal Working Group		(335.3)	(335.3)
C.	**Subtotal**	**(971.3)**	**(503.7)**	**(1,475.0)**
D.	**Reduced budget**	**124,899.6**	**4,526.4**	**129,426.0**
E.	**Percentage reduction from budget base $156,360.7**	**20.12**		

12. On 7 November, after consideration of a draft conclusion on *personnel and related financial implications of the budget reductions* submitted by the Chairman (PBC.13/L.10), the Committee adopted the following conclusion:

Conclusion 97/11

The Programme and Budget Committee:

(a) Decided to establish an informal open-ended working group under the chairmanship of H.E. Mr. M.F. Khalil (Tunisia) to examine all relevant aspects relating to staff reductions to be undertaken in 1998, including policy criteria for such reductions and modalities for their financing, as outlined in document PBC.13/14/5/Rev.1, adjusted in PBC conclusion 97/10 on the programme and budgets, 1998-1999;

(b) Requested the working group to finalize its report by 17 November 1997 for submission to the Programme and Budget Committee;

(c) Decided to resume its thirteenth session for half a day, on 19 November 1997, during the resumed eighteenth session of the Industrial Development Board, for the sole purpose of considering the report of the working group.

II. FINANCIAL SITUATION OF UNIDO (item 4)

13. On 6 and 7 November, the Committee considered the financial situation of UNIDO submitted by the Director-General (PBC.13/15 and PBC.13/CRP.6) and a note by the Secretariat on the practice of borrowing by the United Nations specialized agencies (PBC.13/CRP.7).

14. On 7 November, after consideration of a draft conclusion on the *financial situation of UNIDO* submitted by the Chairman (PBC.13/L.13), and the introduction of an amendment by the representative of Luxembourg on behalf of the European Union, the Committee adopted the following conclusion:

Conclusion 97/12

The Programme and Budget Committee:

(a) Took note of the report of the Director-General on the financial situation of UNIDO (GC.7/20-IDB.18/20-PBC.13/15) containing information concerning the 1997 cash-flow crisis, borrowing, status of assessed contributions, advances to the Working Capital Fund, regular budget performance, operational budget status and the separation indemnity reserve;

(b) Noted that, despite considerable efforts made by the Secretariat, the collection rate of assessed contributions was continuing to deteriorate; the total amount of accumulated arrears as of 30 September 1997 stood at the equivalent of $117.3 million, as compared to $103.3 million on 30 September 1996;

(c) Urged those Member States that had not yet paid their assessed regular budget contributions, including advances to the Working Capital Fund, for the 1986-1987 to 1996-1997 bienniums, to take the necessary steps to ensure that their contributions are paid promptly and in full;

(d) Noted with concern the very irregular payment pattern by Member States and the consequences it might have on the Organization's ability to meet its commitments;

(e) Stressed the importance of reactivating—in view of the seriousness of the situation—the inter-sessional open-ended discussion group on timely payment of assessed contributions in order to continue the examination of possible measures for that purpose and to consider ways and means that would enable the Organization to meet its financial obligations when the reserves of the Working Capital Fund become inadequate;

(f) Requested its Chairman, in consultation with the President of the Industrial Development Board, to continue his endeavours to identify a chairperson for the discussion group;

(g) Further requested the group to submit appropriate proposals to the Board at its nineteenth session.

III. DATE OF THE FOURTEENTH SESSION (item 13)

15. On 7 November, the Committee adopted the following conclusion:

Conclusion 97/13

The Programme and Budget Committee decided to refer to the Industrial Development Board the question of the date for the fourteenth session of the Committee.

IV. ADOPTION OF THE REPORT AND CLOSURE OF THE THIRTEENTH SESSION (items 14 and 15)

16. On 7 November, the Committee adopted the draft report of its resumed thirteenth session (PBC.13/L.9) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

17. The Committee suspended its thirteenth session at 8.50 p.m. on 7 November 1997.

Annex I

STATEMENTS BY DELEGATIONS

The present annex contains statements of explanation of vote made in connection with the adoption of conclusion 97/10 on the programme and budgets, 1998-1999.

The delegation of Germany stated that its authorities considered the draft proposal as presented in document PBC.13/L.13 unacceptable. The delegation therefore had to ask for a vote on the draft conclusion. The German proposals for additional reductions in the budget had not received the necessary support to join in a consensus. The delegation had made it clear that the German authorities could only accept a figure markedly above 20 per cent to arrive at a common solution. That target had not been reached and therefore the delegation had been instructed to vote against the draft proposal. The delegation of Germany recognized the considerable efforts that had been made by many delegations to arrive at a decision that entailed a very substantial reduction of the budget allocation. It also recognized the importance of the Business Plan which, in its view, was a very good basis for the future of the Organization. However, the negative vote of Germany should not be interpreted as a negative attitude with regard to its willingness to fulfil in time and fully its financial obligations. The delegation further stated that, as in the past, UNIDO could count on the readiness of its Government to effect an early payment in order to help at a critical time when there were cash problems ahead. Furthermore, the negative vote should not be seen as a signal for a decision to withdraw from the Organization. As stated on earlier occasions, according to the Cabinet decision of December 1996, a decision pertaining to the membership of Germany would be made in the light of a comprehensive assessment of the reforms achieved and consultations with partners. The delegation trusted that that overall assessment would have a positive result. It would also like to emphasize that Germany's proposals to reduce the budget should not be seen as attempts to reduce its contributions to the aid of the developing countries. Every dollar saved from the budget of UNIDO would be available for other parts of the German assistance programme. The delegation concluded by reiterating its deeply felt appreciation to all delegations involved for the constructive spirit that had guided all the deliberations on the reform process of UNIDO, and especially to the members of the Group of 77 who had not only shown understanding for the position of Germany but had also covered a long way to meet most of its concerns, but unfortunately not all.

Speaking on behalf of the Latin American and Caribbean Group, the delegation of Brazil wished to express the extreme concern of the Group with the figures of the budget to be adopted. As it had stated on previous occasions, the delegation believed that those figures were very severe indeed for a budget that was necessary to ensure the satisfactory functioning of the Organization. The Organization, which was particularly important for the countries of the Group, had been led for many years by a representative of Latin America and would continue to be led by a representative from Latin America in the years to come. The delegation further stated that the concern expressed by the Group should not be interpreted in any way yet as a wish not to accept a consensus. The Group was accepting it in a realistic way, being aware that that was a possible solution. As it had also said in the past, the Group would oppose any new reduction of the budget. The delegation also expressed the Group's satisfaction for the conciliatory way in which the discussions had developed over the course of the last few days of the Committee.

Speaking on behalf of the African Group, the delegation of Tunisia stated that the Group, which had already declared its support of the consensus, also wished to make it known how concerned it was by the drastic reductions in the Organization's budget. Such reductions would undoubtedly hamper the normal functioning of the Organization and, while the African Group went along with the consensus, it did so with the aim of safeguarding this Organization in which it believes. The consensus had been made possible by the spirit of cooperation and dialogue and the impartiality, arduous work and consultations of the Chairman of the Committee and thanks to the work of the Ambassador of India. However, the figures arrived at would not help the Organization function normally. In accepting them, the African Group had made concessions in order to continue operating and as a demonstration of the Group's capacity for dialogue and understanding. The Group

wished to express its appreciation to the Ambassador of Germany for his statement, in particular concerning his country's support of the Organization and the undertaking to continue to pay its assessed contributions. The Group had not doubted about that, being aware of Germany's efforts to assist the developing countries and its desire to play a leading role in that respect in multilateral organizations.

Speaking on behalf of the Asian Group, the delegation of India stated that the Group had been conscious of the need to preserve and strengthen UNIDO. The Asian Group, as a member of the Group of 77, had been very conscious also of the needs of the developing countries and the role played by UNIDO in that respect. But, in view of the realistic situation prevailing and the difficulties of some of the donor States, and in view of the fact that those were the least possible cuts that could have been made, the Asian Group would decide to go along with the consensus.

The delegation of Japan stated that it had voted in favour of the draft conclusion with a sense of much difficulty, in the belief that that was the only possible way by which the Organization could be saved. The delegation wished to state clearly once again that, although it recognized that some important improvements had been made in the budget, it still did not find it quite satisfactory. However, the delegation had not opposed it in a constructive spirit of compromise and particularly bearing in mind the special responsibility of the Government of Japan as the largest donor to the Organization. The delegation expressed its regret that the budget had not been adopted by consensus. It had very much hoped for the incorporation of more positive significant elements in the budget that would have enabled its adoption by consensus.

The delegation of Nigeria expressed its regret that the conclusion had been adopted by voting, in spite of all the work and the volume of documents that had been the subject of the draft proposal. It hoped that that was the last time that UNIDO engaged in the reduction of budgets and rationalization of its activities. The state of UNIDO was now earnest. The Organization, which was of mutual benefit to both the developing and the developed countries, should not be allowed to die. That was why the delegation was encouraging the members from the developed and developing countries to sincerely put into practice their usual promises and translate them into concrete action by paying their assessed contributions. It was encouraged by the statement made by the German delegation that their negative voting should not be interpreted as a wish to withdraw from the Organization or as lack of interest in its activities. It was hoped that other delegations would emulate or pay their assessed contributions. The delegation wished to encourage particularly those members from the developing countries who had not paid their assessed contributions to do so to encourage their partners in development to maintain their support to the Organization.

The delegation of France stated that it had voted in favour of the proposed budget, which had genuine merits and undoubtedly constituted a step forward and a significant reduction in the figures. Nevertheless, the budget was far from being totally satisfactory. Further savings could have been made in certain areas. In particular, one very serious deficiency was that it did not make provision for financing the separation indemnities. The delegation expressed its regret that the budget could not be adopted by consensus. Nonetheless, the delegation of France had not opposed it in a spirit of compromise, out of concern for political realism, in acknowledgement of the efforts deployed by the Chairman, the Ambassador of India and the chairmen of geographical groups, and so that those efforts should not have been expended in vain.

Annex II

DOCUMENTS SUBMITTED TO THE RESUMED THIRTEENTH SESSION

Symbol	Agenda item	Title
PBC.13/1/Add.2	3	Annotated provisional agenda
PBC.13/CRP.9	3	List of documents
PBC.13/15-IDB.18/20-GC.7/20	4	Financial situation of UNIDO. Note by the Secretariat
PBC.13/CRP.6-IDB.18/CRP.2	4	Financial situation of UNIDO. Note by the Secretariat
PBC.13/CRP.7-IDB.18/CRP.3	4	The practice of borrowing by the United Nations specialized agencies. Note by the Secretariat
PBC.13/14/6-IDB.18/15/6	6	Programme and budgets, 1998-1999. Revised proposals. Submitted by the Director-General
PBC.13/14/5/Rev.1-IDB.18/15/5/Rev.1	6	Personnel and financial implications of the proposed budget reductions. Submitted by the Director-General
PBC.13/CRP.5	6	Ad hoc open-ended working group on issues related to field representation. Report by the Chairman (H.E. Mr. Hans Förster, Netherlands)
PBC.13/CRP.8	6	Major replacement programme. Note by the Secretariat

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Resumed eighteenth session
Vienna, 17-19 November 1997
Agenda item 4

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS THIRTEENTH SESSION

Addendum

Resumed thirteenth session
(19 November 1997)

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 8	2
Chapter			
I.	PROGRAMME AND BUDGETS, 1998-1999 (item 6)	9 - 10	2
	Conclusion 97/14		
II.	ADOPTION OF THE REPORT AND CLOSURE OF THE THIRTEENTH SESSION (items 14 and 15)	11 - 12	3
Annex	LIST OF DOCUMENTS SUBMITTED TO THE RESUMED THIRTEENTH SESSION		4

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.97-28690 (E) (a:1997pmo.10)

Introduction

1. The Programme and Budget Committee resumed its thirteenth session for the second time at UNIDO Headquarters, Vienna International Centre, on 19 November 1997, under the chairmanship of Mr. J. P. G. Freeman (United Kingdom of Great Britain and Northern Ireland).

2. In accordance with its conclusion 97/11 paragraph (c), the Committee resumed consideration of item 6 of the agenda of its thirteenth session, i.e. programme and budgets, 1998-1999, for the sole purpose of considering the report of the informal open-ended working group, under the chairmanship of Mr. M. F. Khalil (Tunisia) (PBC.13/16 and Corr.1), established to examine all relevant aspects relating to staff reductions to be undertaken in 1998, including policy criteria for such reductions and modalities for their financing, as outlined in document PBC.13/14/5/Rev.1.

3. The following 24 of the 27 members of the Committee participated in the session: Austria, Belgium, Brazil, Denmark, Ecuador, Egypt, France, Germany, India, Italy, Japan, Kuwait, Libyan Arab Jamahiriya, Mexico, Nigeria, Republic of Korea, Romania, Russian Federation, Saudi Arabia, Slovakia, Switzerland, Thailand, United Kingdom of Great Britain and Northern Ireland and Uruguay.

4. The following 63 Members of UNIDO also attended the session: Algeria, Angola, Argentina, Armenia, Australia, Azerbaijan, Belarus, Bolivia, Bosnia and Herzegovina, Bulgaria, Chile, China, Colombia, Croatia, Cuba, Czech Republic, Democratic People's Republic of Korea, Ethiopia, Finland, Georgia, Ghana, Greece, Guatemala, Haiti, Hungary, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Israel, Jordan, Kenya, Lebanon, Liberia, Luxembourg, Malaysia, Morocco, Namibia, Netherlands, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Republic of Moldova, Slovenia, Spain, Sri Lanka, Sudan, Sweden, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, Ukraine, United Arab Emirates, Venezuela, Viet Nam and Yemen.

5. The United Nations Office at Vienna, United Nations Development Programme, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, World Health Organization and International Atomic Energy Agency were represented. The European Commission, the League of Arab States and the Organisation of the Islamic Conference were also represented.

6. The report of the resumed session of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 of the Constitution.

7. The report contains the conclusion reached by the Committee. Annex I contains a list of documents submitted to the Committee at its current resumed session.

8. The conclusion adopted by the Committee as reported below was brought to the attention of the Board at its resumed eighteenth session (17-19 November 1997).

I. PROGRAMME AND BUDGETS, 1998-1999

9. On 19 November, the Committee considered the report (PBC.13/16 and Corr.1) of the informal open-ended working group, under the chairmanship of Mr. M. F. Khalil (Tunisia), established to examine all relevant aspects relating to staff reductions to be undertaken in 1998, including policy criteria for such reductions and modalities for their financing as outlined in document PBC.13/14/5/Rev.1. The decision reached by the Committee is reflected in the conclusion below:

Conclusion 97/14

The Committee decided to adopt for submission to the Industrial Development Board at its resumed eighteenth session of 19 November 1997 the recommendations of the informal open-ended working group on personnel and financial aspects related to staff reductions (PBC.13/16/Corr.1) with the amendments incorporated in document PBC.13/16/Corr.2 to read as follows:

"(a) All Member States should pay outstanding assessed contributions without delay;

(b) The use of unutilized balances from 1994-1995 to fund the staff separation reserve should be implemented;

(c) The additional cash resources for the staff separation reserve, to supplement the present balance in that reserve, could be secured: (i) by voluntary contributions from Member States on the understanding that contributions for 1998 for the budget and staff separation reserve would not exceed 1997 assessed contribution levels; (ii) by way of advances from Member States to the Organization on the understanding that those advances would be repaid as and when the arrears of assessed contributions are paid, or deducted from future contributions.

These measures should be implemented jointly so as to ensure the payment on time of the costs incurred by staff separations."

II. ADOPTION OF THE REPORT AND CLOSURE OF THE THIRTEENTH SESSION

10. On 19 November, the Committee entrusted to the Rapporteur the finalization of the report of its resumed thirteenth session of 19 November 1997.

11. The Committee closed its thirteenth session at 12.05 p.m. on 19 November 1997.

Annex

DOCUMENTS SUBMITTED TO THE RESUMED THIRTEENTH SESSION
(18 November 1997)

Symbol	Agenda item	Title
PBC.13/14/6 - IDB.18/15/6	6	Programme and budgets, 1998-1999. Revised proposals. Submitted by the Director-General
PBC.13/14/5/Rev.1- IDB.18/15/5/Rev.1	6	Personnel and financial implications of the proposed budget reductions. Submitted by the Director-General
PBC.13/16 and Corr.1 and Corr.2	6	Informal open-ended working group on personnel and financial aspects related to staff reductions. Report by the Chairman (H.E. Mr. M. F. Khalil, Tunisia)
		* * *
PBC.13/CRP.11		List of participants